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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 1/05/09

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to quit the Liberal Democratic Party, angry at the policies of the
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Articles:

1) MSDF ships operating in waters off Somalia to crack down on
pirates under same criminal law used by Japan Coast Guard

SANKEI (Page 1) (Excerpt)
January 3, 2009

As a measure to deal with pirates in the waters off Somalia, Africa,
the government on Jan. 2 firmed up its policy course of applying the
authority used by the Japan Coast Guard (JCG) to Maritime
Self-Defense Force (MSDF) vessels escorting Japanese commercial
ships. By applying the provision for overseas crimes of the
Criminal Code, pirates can be captured, arrested and charged for
serious crimes, including murder of crewmembers of Japanese
commercial ships and resisting arrest. The government has begun to
consider sending JCG personnel to a country neighboring Somalia and
to set up an airstrip to fly in suspects and a facility for
processing them.

2) EU thinking of including MSDF vessels into its anti-piracy
operation off Somalia, but a legal barrier may block the

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implementation of the idea

YOMIURI (Page 2) (Excerpts)
January 4, 2009

Brussels

It was learned on Jan. 3 that the European Union (EU) is considering
incorporating MSDF vessels into its fleet deployed to waters off
Somalia, Africa, for anti-piracy operations. The EU has been carried
out discussions at the working level among member nations to add
vessels other than EU ships to its anti-piracy operations off
Somalia, and Japan has been floated as a likely candidate.

However, there are major constraints to implementing this idea,
including the limitation of protection by MSDF ships to Japanese
commercial ships, based on the maritime police action ordinance that
the government is considering to apply under the Self-Defense Forces
(SDF) Law. EU ships can protect any vessel, regardless of
nationality, if it is attacked by pirates. It appears to be
impossible for the SDF to actually carry out a similar role under
the current legal provisions.

There is concern, according to a government source, that if Japan is
not able to fully contribute under the EU command, it would be
distrust.

3) Prime Minister Aso pledges 900 million yen-scale humanitarian aid
to Palestinian leader Abbas

NIKKEI (Page 2) (Full)
January 5, 2009

Prime Minister Taro Aso held a telephone conversation with
Palestinian leader Mahmoud Abbas for about 15 minutes on Jan. 3 from
his private residence in Tokyo. Aso urged Abbas to make an effort
for an early ceasefire in the Gaza Strip, and he revealed his
intention to extend \$10 million (approximately 900 million yen) in
humanitarian aid for the Gaza Strip where many Palestinians have
been killed or wounded by Israeli air strikes. Abbas expressed his
appreciation.

Aso categorically said: "I hope for the realization of an early
continuous ceasefire, as well as for the resumption of efforts to

promote the peace process by Israel and Palestinians." Abbas then responded: "I will call for an immediate ceasefire through the United Nations Security Council. I also want to keep close contact with Japan."

4) China continuing exploration work at gas field Kashi in East China Sea: Japan files protests, noting such activities are in violation of agreement

MAINICHI (Page 2) (Full)
January 5, 2009

Tokyo and Beijing last June failed to reach agreement on the joint development of gas fields known as Kashi in Japan and Tianwaitian in China. The issue has been carried over to the next session. Mainichi Shimbun has learned that China is continuing to develop the gas fields on its own. Tokyo has lodged a protest with Beijing, noting unilateral development of the gas fields while the talks are ongoing

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is in violation of the agreement.

Among gas fields that are located near the median line between the two countries, the border line as claimed by Japan, Japan and China last June agreed to jointly develop Shirakaba (Chunxiao) and Asunaro (Longjing) -- both located on the southern side of the median line. However, regarding talks on the development of Kashi and Kusunoki (Duanqiao) have been carried over to the next session, because China insisted on independent development.

A survey by the Air Self-Defense Force has found that China is continuing the development of Kashi even after June. The government filed a protest against China through a diplomatic channel. The Chinese side reportedly rebutted it, insisting that it saw no problem in continuing work in the gas fields. One senior Foreign Ministry official on January 4 said, "The finding will not affect future talks on the two gas fields, which the two countries have already agreed to jointly develop." China has as of 2005 made considerable preparations for the development of Kashi.

Chinese Foreign Ministry says that China's development activities constitute the exercising of its sovereign right

Chinese Foreign Ministry spokesman Qin Gang released a statement on the development of Kashi, a natural gas field in the East China Sea, which went, "The gas fields are located in waters controlled by China that are not under dispute. China's development activities in such gas fields constitute the exercising of its sovereign right."

5) Government to hold policy dialogue with OSCE in June

NIKKEI (Page 2) (Slightly abridged)
January 4, 2009

The government has decided to hold a policy dialogue in Tokyo in June with the Organization for Security and Cooperation in Europe (OSCE), made up of European countries, the United States and Russia. In order to discuss Asian security issues, Tokyo will invite the representatives of 56 OSCE member countries. The aim is to find ways to cooperate with Europe regarding North Korea's nuclear programs, as well as on response to the rapid rise of the Chinese economy.

The policy dialogue is planned to be held in the form of co-hosting by Japan and the OSCE for two days on June 10-11. Ambassador-level officials are expected to attend the session, assuming that more than 50 countries will take part in it. The outlook is that ambassadors to Japan will participate in it. Such a Japan-OSCE meeting will be held for the first time in five years, the last being [12004](#).

In the meeting, "Japan will make an effort to have the OSCE understand the East Asian security situation and call for cooperation" said a senior Foreign Ministry official. The expectation is that such issues as China's military build-up, the Taiwan Strait situation and democracy in Asia will be discussed.

Since there are many European countries which have diplomatic ties with North Korea, the government intends to ask them for cooperation in resolving the issue of North Korea's abductions of Japanese nationals.

6) Survey of leading companies: 90 PERCENT say, "Economic recession
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will continue"

SANKEI (Page 1) (Full)
January 5, 2008

In a survey that Sankei Shimbun conducted on 107 leading companies, 92 PERCENT of the respondents expected that the recession affecting the domestic economy would continue. The economy not expected to recover until 2010 or later, according to 75 PERCENT of the companies surveyed. Most companies cited a recovery of the U.S. economy as a prerequisite for the domestic economy to pick up. Regarding the outlook for business performances for fiscal 2008, 65 PERCENT estimated a drop in current profits. There is concern that corporate downsizing and constraints on capital investment will accelerate due to poor business results.

Regarding prospects for the domestic economy in fiscal 2009, 65 PERCENT replied, "The economy will decline," and 27 PERCENT said, "The economy will worsen gradually."

As to the time when the economy will pick up, the largest number -- 51 PERCENT -- thought it would be between January and June in 2010, followed by 13 PERCENT who predicted it would be between July and December in 2010. Another 11 PERCENT stated it would not be until 2011. Concerning when the U.S. economy might pick up -- key to a recovery of the domestic economy -- 46 PERCENT thought it would be between January and June in 2010.

Due to poor business results, only 9 PERCENT of respondents replied that they would increase their plans for capital investment in fiscal 2009. The number of companies that replied that they would cut back on such a plan reached 26 PERCENT .

The largest number -- 28 PERCENT -- predicted the benchmark Nikkei Stock Average at the end of 2009 would be between over 10,000 yen and below 11,000 yen. The figure comes to 37 PERCENT , if those that cited below 10,000 yen are combined. Few companies thus expect a full recovery the stock market in Japan.

7) Ruling parties again looking into bridging bill to prevent hikes in price of imported beef

SANKEI (Page 3) (Full)
January 5, 2008

Assuming a case in which revenue-related bills (time-limit bills) attached to the fiscal 2009 budget bill fail to secure Diet approval within the current fiscal year in the regular Diet session to be convened on January 5, the ruling parties have started looking into a bridging bill designed to extend preferential tax measures.

This is because there is fear that should the preferential measures expire, prices of imported beef and beer using imported malt will rise. The ruling parties want to extend the existing preferential measures by one to two months starting on April 1, using a bridging bill.

The preferential measures applied to 415 food items will expire at the end of March. Regarding imported food items, in particular, it is necessary to change tariff rates at talks sponsored by the World Trade Organization (WTO), necessitating the government to annually renew such rates.

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If those preferential measures expire, the prices of imported beef

and malt will rise. The tariff on imported beef will rise from the current 38.5 PERCENT to 50 PERCENT . A simple calculation shows that one package of imported beef costing 600 yen would go up by 69 yen.

The ruling camp submitted a bridging bill to maintain the provisional gas tax rate during the regular Diet session in 2008. However, accepting the Democratic Party of Japan's (DPJ) claim that such a bill was a "forceful act" that rejected Diet deliberation, it retracted the measure, following mediation by the Upper House President and the Lower House Speaker. However, with the confrontation between the ruling and opposition parties flaring up again, the provisional rate expired, causing havoc for a month.

8) Ruling, opposition parties to lock horns over cash benefit plan in regular Diet session that opens today

MAINICHI (Page 2) (Abridged slightly)
January 5, 2009

Kota Takamoto

The 171st regular Diet session that opens today could be a prelude to the next Lower House election, with the Lower House members' term of office scheduled to expire in September. The government and ruling coalition will aim for an early enactment of a second supplementary budget for fiscal 2008, the fiscal 2009 budget and related bills, while the opposition camp is expected to challenge the government on its 2-trillion yen flat-sum cash benefit plan that is incorporated in the second extra budget. Meanwhile, former Administrative Reform Minister Yoshimi Watanabe of the Liberal Democratic Party has expressed his intention to leave the party if his calls for a retraction of the cash-benefit plan and other plans are ignored. Stormy developments are expected to unfold at the Diet which is scheduled to remain in session for 150 days through June 13.

Prime Minister Taro Aso dined at a Tokyo hotel last night with Chief Cabinet Secretary Takeo Kawamura, New Komeito Representative Akihiro Ota, and other ruling party leaders. Over dinner, Aso sought the cooperation of the ruling parties for an early enactment of the fiscal 2008 second extra budget and the fiscal 2009 budget, while expressing his resolve, saying: "I will take economic recovery measures, overcoming any thing that gets in the way. I am determined to do my utmost."

Some in the LDP regard the New Komeito-led flat-sum cash handout plan as a pork-barrel action. The major opposition Democratic Party of Japan plans to introduce to the Diet a plan to eliminate the flat-sum handout spending from the second extra budget-related bill. If 17 ruling-party members rebel against the budget-related bills, it could force the ruling bloc to give up on using a two-thirds overriding vote to get the bills pass through the Lower House, forcing the Aso administration into a corner.

The Diet session opens today in the presence of the Emperor. Minister of Finance and State Minister for Financial Services Shoichi Nakagawa will deliver fiscal policy speeches on the second extra budget at both chambers of the Diet. Representative of political parties will pose questions at a Lower House plenary

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session on Jan. 6 and at an Upper House plenary session on Jan. 7. The ruling bloc intends to get the second extra budget to clear the Lower House by Jan. 13 and the fiscal 2009 budget by early February.

By giving top priority to the enactment of the fiscal 2009 budget before the end of the current fiscal year, the government and ruling parties have decided to convene the regular Diet session on Jan. 5, the earliest date since the Diet Law was revised in 1992. Nevertheless, with the Aso cabinet's support ratings having plummeted to the 20-percent level and a growing number of LDP mid-level and junior members are turning their backs on Prime Minister Aso, the ruling bloc now finds it difficult to manage Diet affairs.

9) Gist of Prime Minister Aso's New Year press conference

SANKEI (Page 5) (Full)
January 5, 2009

? Lower House dissolution, general election

Dissolution will be decided by Taro Aso as the prime minister. It is important to get the budgets and budget-related bills passed by the Diet at an early date. I will not consider dissolving the Lower House until then. Even if the Diet reaches a deadlock, I am not thinking of dissolving the Lower House through talks (with the Democratic Party of Japan), either.

Stabilizing people's livelihoods will be the main campaign issue in the next Lower House election. We will be able to take measures to jumpstart the economy and improve people's livelihoods in an effective and swift manner. I have called for a consumption tax hike after the economy picks up because (maintenance) of a mid-level social security system definitely requires a mid-level burden. It is unacceptable for the government and the Liberal Democratic Party to act irresponsibly.

? Japan-U.S. relations, financial crisis

President-elect Barack Obama will be sworn in on Jan. 20 and launch his administration. We will make arrangements on when to hold a Japan-U.S. summit after the new U.S. administration is launched. As a major player, Japan must play a responsible role in the ongoing (global) financial crisis. A new international financial order must be established.

? Use of the right to collective self-defense

Although there has been no change in the (government's) constitutional interpretation that the country is not allowed to exercise the right to collective self-defense, there is need for discussions. The issue must be discussed based on specific subjects, such as anti-piracy measures in waters off Somalia.

? Situation in Palestinian territories

The government has urged both (Israel and the Palestinian Authority) to constrain their forces. Reaching a ceasefire in the conflict will not be that easy. The deployment of ground troops (by Israel) has worsened the situation. I am truly concerned.

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10) Gist of DPJ President Ozawa's New Year press conference

SANKEI (Page 5) (Full)
January 5, 2009

? Lower House election, change of government

The LDP-New Komeito administration has no tools to overcome the severe situation since the financial crisis last year. We will realize an administration that will place top priority on defending the people's livelihoods based on their own perspective. We will convince the public that we can achieve that goal. We will make this year a great year for the people of Japan and the DPJ. The economic situation is expected to become severer toward the end of the current fiscal year. I believe public criticism of the government and calls for Prime Minister Taro Aso to seek a public mandate through an election will grow louder than his intent to maintain his administration.

Defending the people's lives and livelihoods is the mission of politics. The people no longer need an administration that has failed to achieve that goal, that has widened the gap between the rich and the poor in the name of globalization, and that has failed to take any effective steps to turn around the economy.

? Regular Diet session, fixed-sum cash benefits

We will do our outmost so that our views will be reflected in plans for employment and for small businesses to raise operating capital as a basic policy course. The 2 trillion yen for the cash handout plan can be used more effectively elsewhere. Some 70 PERCENT of the people are opposed to the plan, regarding it as ridiculous. We cannot allow the government to implement a plan that seems to be trying to make fools of the general public and to waste money ahead of the next election.

11) Yoshimi Watanabe likely to quit LDP

MAINICHI (Page 1) (Full)
January 5, 2009

In a gathering of supporters in Nasukarasuyama City, Tochigi Prefecture, Yoshimi Watanabe, a member of the Liberal Democratic Party (LDP) and former state minister for administrative reform, called for an early dissolution of the House of Representatives, as well as for scrapping the flat-sum cash-payout plan that is included in the second supplementary budget for fiscal 2008. Watanabe then said: "I feel anger from deep in my heart toward the Aso cabinet. If such cannot be done, I will leave the LDP."

Watanabe delivered speeches yesterday in the cities of Nasushiobara and Nasukarasuyama. In addition to Lower House dissolution and the withdrawal of the flat-sum cash-payment plan, he called on Aso to set up a crisis management cabinet after the next Lower House election, reform the civil servant system, and thoroughly carry out reform of independent public administrative corporations.

At his first press conference of the year, Aso expressed his intention not to dissolve the Lower House before the Diet passes the fiscal 2009 budget. Chances are slim that Aso will accept Watanabe's calls. Therefore, Watanabe's remarks are regarded as his declaration of quitting the LDP.

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After the gathering, Watanabe clearly told reporters: "I'm ready. I will stand on my beliefs." Asked about his political activities after leaving the LDP, Watanabe said with confidence: "I don't think that I will be alone. Regardless of Diet members or not, there are those who support my position." He will submit his resignation to Secretary General Hiroyuki Hosoda as early as this week and make a final decision after ascertaining the party leadership's response.

12) Former LDP Secretary General Nakagawa eager for political realignment

ASAHI (Page 2) (Full)
January 5, 2009

Hidenao Nakagawa, former secretary general of the ruling Liberal Democratic Party (LDP), delivered a speech in Kaita Town, Hiroshima Prefecture. In it, he underscored his intention to play the central role in political realignment that may occur after the next House of Representatives election. He stated:

"I believe that my probation period, which had begun after the party's defeat in the 2007 House of Councillors election, was over at the end of last year. We will have to break the present political impasse and move forward to the next stage of the structural reform program by creating a new alliance under a new initiative."

SCHIEFFER